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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 000260

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TAGS: [PREL](#) [PGOV](#) [MASS](#) [PARM](#) [CH](#) [TW](#)  
SUBJECT: PRC INITIAL RESPONSE TO TAIWAN ARMS SALE

REF: BEIJING 248

Classified By: Deputy Political Minister Counselor Ben Moeling.  
Reasons 1.4 (b), (d).

11. (C) Summary: Two days after the announcement of new arms sales to Taiwan, China's negative reaction to the announcement dominated all discussions of U.S.-China relations. Observers predict a continued series of responses across various sectors that could be exacerbated if President Obama meets with the Dalai Lama. Embassy officers were told that the PRC reaction could also affect cooperation on multilateral and regional issues, but would be unlikely to have an impact on cross-Straits relations. PRC official media reaction was uniformly negative, but bloggers so far refrained from commenting on the arms sales. Proposals to sanction U.S. companies participating in the sales, the one aspect of the Chinese reaction that is qualitatively different from China's response to the October, 2008 arms sale announcement, were popular among commentators, but the Chinese government has not released details on the nature or scope of these measures. End summary.

#### Government Reaction

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12. (C) In addition to the measures described in the official PRC government response to the announcement of new arms sales to Taiwan (reftel), on January 31 and February 1 various Chinese government organizations canceled or postponed a number of planned bilateral events. These included: the cancellation of the Ambassador's meeting with Communist Youth League First Secretary Lu Hao and indefinite postponement of the Ambassador's proposed meeting with United Front Works Department Minister Du Qinglin, the cancellations of the visit to Washington of Vice Minister of Public Security Liu Jing and bilateral Fissile Material Cutoff Treaty consultations, which were to be held in Beijing. These actions were not explicitly linked to the arms sale announcement, but the timing and sudden nature of the cancellations left little doubt about the reasoning.

#### Expert Opinions

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13. (C) On February 1, Zhe Sun, Director of Tsinghua University's Center for China-U.S. Relations, told PolOff that the announcement of the arms sales was not a surprise, but "people are very mad." Zhe said that while angry nationalist comments on Internet chatrooms can be expected, he had also seen strong reactions from mainstream intellectuals. Zhe said that "there is consensus that China should take action to defend our national pride," adding that "we must be tough this time." He claimed that China had "reason to be mad" and cited Secretary Clinton's recent meeting in London with Foreign Minister Yang Jiechi, in which there was no mention of the imminent announcement of arms

sales. Zhe said he expected the Chinese government would be currently studying additional retaliatory measures. "Whether they are implemented may depend on reaction to President Obama's meeting with the Dalai Lama," Zhe opined.

¶4. (C) Tao Wenzhao, Senior Fellow at the China Academy of Social Sciences (CASS), told PolOff that the arms sale had been a surprise to many Chinese citizens since "last year's relations were so good, it had raised expectations for this year." During the celebrations of the 30th anniversary of the establishment of relations between Beijing and Washington in early 2009 people were discussing "a G2," Tao noted, and lamented that "now it is clear that the basic structure of our relations has not changed." Tao suggested that the PRC would not issue some across-the-board retaliation against the U.S. but it would consider actions on a case-by-case basis. Looking to cross-Strait relations, Tao hypothesized the Mainland would "remind" Taiwan of the issue in their engagements, but that it would not seriously impact relations.

¶5. (C) Dr. Zhang Wensheng, Director of Xiamen University's Taiwan Research Institute (TRI) Political Institute, told ConGen Guangzhou Officer that Beijing's reaction has been "normal." Zhang also speculated that the situation could deteriorate further if Washington were to sell more advanced weapons such as the F-16 C/D or submarines, or if President Obama were to meet with the Dalai Lama in the near future. Nonetheless, Zhang predicted the arms sales would have only a short-term effect on the bilateral relationship; over the long-term Beijing still needs to maintain good relations with the United States.

BEIJING 00000260 002 OF 002

#### Sanctions against U.S. Companies

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¶6. (C) The Chinese government has not released a clear explanation of the mention of sanctions against U.S. companies involved in the arms sales that was included in an MFA press statement on January 30. The Taiwan Affairs Office (TAO) referred Embassy officers to the Ministry of Foreign Affairs (MFA) for comment; the MFA suggested we contact the Ministry of Commerce (MOFCOM); MOFCOM in turn said the TAO and MFA were handling the matter.

¶7. (C) Professor Tao of CASS described the proposed sanctions as an experiment, and said it was the first time he could recall that China had sanctioned foreign companies. He was unaware of any details about the nature of the sanctions. Professor Zhang of TRI separately called the sanctions "appropriate."

¶8. (C) Beijing representatives of Boeing, parent company of Boeing Defense Systems, which produces the Harpoon Block 2 system, told EconOffs that, as of February 1, they had not heard anything from the Chinese government regarding the implementation of sanctions. Boeing representatives noted that in 2009 the company sold 50 aircraft to China, each valued at USD 70-100 million, for a total revenue figure of USD 3.5-5 billion. Boeing expected its 2010 China sales figures to equal those last year if sanctions were not imposed. Total U.S. aircraft sales to China in 2009 were approximately USD 6 billion. (Note: in October, 2008, Boeing's Beijing representative was called in to the MFA for a formal demarche by the Director General of North American and Oceanian Affairs and warned that if Boeing went through with its portion of that sale, "there will be consequences." Specific consequences did not materialize.)

#### Media Reaction

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¶9. (SBU) Mainland papers January 30-February 1 carried news stories and editorials criticizing the arms sale

announcement. Official party mouthpiece People's Daily (circ 2.3 million) called the sales "a pathetic and short sighted strategy" indicative of a "Cold War mentality," adding that "the U.S. government is ignoring the overall situation of U.S. - China relations and giving in to military and industrial enterprises." Official Guangming Daily (circ. 1 million) and Xinhua Daily Telegraph both said the U.S. decision "has once again hurt the Chinese people's feelings and will significantly damage U.S - China relations. The United States should be responsible for any serious consequences this may generate."

¶10. (SBU) Media reports focused on consequences for U.S.-China relations as well as the need for retaliation. Several papers also highlighted the introduction of sanctions against U.S. firms supplying military hardware. Nationalist tabloid Global Times (circ 1.5 million) opined "when companies want to make profits by selling arms or harming China's interests, their bad behavior will not be rewarded." In a separate article, Global Times warned "China will soon have many more countermeasures in the future to combat United States (arms sales)." The business-oriented China Business News (circ 600,000) quoted a MFA official saying "Sino-U.S. cooperation on key international and regional issues will inevitably be affected."

¶11. (SBU) China Daily (circ 200,000) claimed "Washington's arrogance also reflects the stark reality of how a nation's interests could be trampled on by another... China's response, no matter how vehement, is justified... A message has to be sent loud and clear: If the U.S. shows no respect to China's core interests, it cannot expect cooperation from China on a wide range of major regional and international issues." However, despite this rhetoric, Global Times still believed "that the generally steady development of diplomatic relations between the two countries won't change."

HUNTSMAN